

nature. Provincial regulations have accentuated and perpetuated these barriers. For example, the BC Milk Industry Act specifies that milk can only be sold by certified farms, and special ministerial permits are required to transport milk into the province. As a result, Alberta dairy farmers have difficulty marketing milk in British Columbia although their milk is lower in price. Alberta dairies are similarly protected from eastern producers.

Ontario is divided into regional milk distribution zones, and in order to sell milk in a zone, producers must have their facilities inspected by Ontario inspectors, but Ontario inspectors do not normally travel outside the province, effectively barring out-of-province suppliers. The only exceptions to this rule have been two fluid milk producers in Quebec with Ontario permits for eastern Ontario border zones.

Another more general example is the case of ultra-high temperature (UHT) milk which now offers a major product advantage of low perishability when being transported. Canadian producers are unable to realize these advantages because provincial boards continue to treat it as regular milk, with the same transportation regulations as applied to the more perishable product.

Subsidies

Subsidies can take many forms, from direct grants issued through industrial development programs, to indirect benefits derived from subsidization of transportation systems used to move goods to market or artificially low prices for critical raw materials. The use of subsidies, particularly where they affect exports, has been a contentious topic in previous international trade negotiations. The Tokyo Round resulted in an agreement on subsidies and countervailing measures committing signatories to ensuring that use of subsidies by them does not harm the trading interests of another signatory. However, there is still disagreement over the definition of subsidies and their treatment. The Americans, in particular, are concerned with the use of subsidies on other than a narrow commercial basis and attempts are being made in the U.S. Congress to extend the definition of subsidies for purposes of countervailing action. This has caused problems for Canada because the importance of the American market for most of our industries exposes them to possible retaliation when they receive government assistance.

As well, the subsidies agreement specifies that signatories with federal systems of government "accept the international consequences" as a result of the granting of subsidies within their territories. This makes the federal government responsible for provincial subsidies over which it has no control.

Federal programs with a strong regional development focus, such as DRIE's Industrial Regional Development Program, may come under scrutiny in American countervail investigations. Transportation subsidies, such as western grain transportation assistance or Maritime freight rates